

**City of Westwood, Kansas
Basic
Financial Statements**

CITY OF WESTWOOD, KANSAS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF WESTWOOD, KANSAS

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David B. Higdon, Retired
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Independent Auditor's Report

The Honorable Mayor and Members
Of the City Council
City of Westwood, Kansas


We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Westwood, Kansas (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents and its component unit the Westwood Foundation. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the applicable provisions of the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Westwood, Kansas as of December 31, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary comparison information on pages 21 and 22 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Higdon & Hale, C.P.A.'s, P.C.
September 6, 2011

STATEMENT OF NET ASSETS**CITY OF WESTWOOD, KANSAS***December 31, 2010*

| | <u>Governmental Activities</u> | <u>Total</u> | <u>Component Units</u> |
|---|------------------------------------|------------------|------------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash | \$ 433,325 | \$ 433,325 | \$ 31,535 |
| Investments | - | - | 345,613 |
| Accounts Receivable | 21,118 | 21,118 | - |
| Taxes Receivable | - | - | - |
| Prepaid expenses | - | - | - |
| Non-current assets: | | | |
| Capital assets | 2,866,599 | 2,866,599 | 237,042 |
| Deferred Taxes Receivable | 524,066 | 524,066 | - |
| Total assets | <u>3,845,108</u> | <u>3,845,108</u> | <u>614,190</u> |
| <u>LIABILITIES</u> | | | |
| Current liabilities: | | | |
| Accounts payable | 991 | 991 | - |
| Capital leases | | | |
| Due within one year | 28,313 | 28,313 | - |
| Due in more than one year | - | - | - |
| Deferred taxes | 524,066 | 524,066 | - |
| Refundable bond deposits | 18,961 | 18,961 | - |
| Total current liabilities | <u>572,331</u> | <u>572,331</u> | <u>-</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 2,866,599 | 2,866,599 | - |
| Restricted for encumbrances | 133,435 | 133,435 | - |
| Unrestricted | 272,743 | 272,743 | 614,190 |
| Total net assets | <u>3,272,777</u> | <u>3,272,777</u> | <u>614,190</u> |

See accompanying notes to financial statements.

STATEMENT OF ACTIVITIES

CITY OF WESTWOOD, KS

year ended December 31, 2010

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Net (Expense)</u> <u>Revenue</u> | |
|--------------------------------------|---------------------------|--|-------------------|
| Primary government: | | | |
| Governmental activities: | | | |
| General government | \$ 637,700 | \$ (637,700) | |
| Public works | 357,529 | (357,529) | |
| Public safety | 993,404 | (993,404) | |
| Culture and recreation | 37,412 | (37,412) | |
| | <u>2,026,045</u> | <u>(2,026,045)</u> | |
| Total governmental activities | | | |
| | <u>2,026,045</u> | <u>(2,026,045)</u> | |
| Total primary government | <u>\$ 2,026,045</u> | <u>\$ (2,026,045)</u> | |
| Component units: | | | |
| Depreciation and amortization | \$ - | 2,627 | |
| Insurance | - | 2,576 | |
| Legal and accounting fees | - | 2,800 | |
| Trustee and investment fees | - | 2,197 | |
| Other | - | 7,540 | |
| | <u>-</u> | <u>17,740</u> | |
| Total component units | <u>\$ -</u> | <u>\$ 17,740</u> | |
| | | | |
| | Primary Government | | |
| | Governmental | Total | Component |
| | Activities | | Units |
| Changes in net assets: | | | |
| Net (expense) revenue | <u>\$ (2,026,045)</u> | <u>\$ (2,026,045)</u> | <u>\$ 17,740</u> |
| General revenues: | | | |
| Taxes | 894,380 | 894,380 | - |
| Licenses and permits | 29,939 | 29,939 | - |
| Intergovernmental | 251,591 | 251,591 | - |
| Charges for service | 290,522 | 290,522 | - |
| Fines and forfeitures | 178,667 | 178,667 | - |
| Recreational fees | 8,765 | 8,765 | - |
| Trash collections | 132,171 | 132,171 | - |
| Interest | 6,697 | 6,697 | 7,103 |
| Gain/ (Loss) on investments sales | - | - | 20,108 |
| Dividends | - | - | 2,222 |
| Change in Comprehensive Income | - | - | - |
| Rental income | - | - | 240,000 |
| Other | 16,464 | 16,464 | - |
| | <u>220,000</u> | <u>220,000</u> | <u>-</u> |
| Transfers | | | |
| | <u>220,000</u> | <u>220,000</u> | <u>-</u> |
| Total general revenues and transfers | 2,029,196 | 2,029,196 | 269,433 |
| Increase in capital assets | - | - | - |
| Changes in net assets | <u>3,151</u> | <u>3,151</u> | <u>287,173</u> |
| Net assets - beginning | <u>3,269,626</u> | <u>3,269,626</u> | <u>-</u> |
| Net assets - ending | <u>\$ 3,272,777</u> | <u>\$ 3,272,777</u> | <u>\$ 287,173</u> |

See accompanying notes to financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

CITY OF WESTWOOD, KANSAS

| | Primary Government | |
|---|--------------------------------|----------------|
| | <u>Governmental Fund Types</u> | |
| <u>ASSETS</u> | | |
| Cash | \$ | 433,325 |
| Accounts Receivable | \$ | 21,118 |
| Deferred taxes receivable | | 524,066 |
| Taxes Receivable | | - |
| Total Assets | \$ | 978,509 |
| <u>LIABILITIES and FUND BALANCES</u> | | |
| Accounts payable | \$ | 991 |
| Deferred taxes | | 524,066 |
| Capital Leases Payable | | |
| Due within one year | | 28,313 |
| Due in more than one year | | - |
| Refundable bond deposits | | 18,961 |
| Total liabilities | | 572,331 |
| <u>FUND BALANCES</u> | | |
| Unrestricted | | 272,743 |
| Reserved for Encumbrances | | 133,435 |
| | | 406,178 |
| Total liabilities and fund balances | \$ | 978,509 |

See accompanying notes to financial statements.

**RECONCILIATION OF THE BALANCE
SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

December 31, 2010

CITY OF WESTWOOD, KANSAS

| | |
|---|---------------------|
| Total fund balance - total governmental funds | \$ 406,178 |
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets of \$2,866,599 are not financial resources and therefore, are not reported in the funds. | 2,866,599 |
| Net assets of governmental activities | <u>\$ 3,272,777</u> |

See accompanying notes to financial statements.

**STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES
IN FUND BALANCES
GOVERNMENTAL FUNDS**

year ended December 31, 2010

CITY OF WESTWOOD, KANSAS

REVENUES

| | |
|-----------------------|------------------|
| Taxes | \$ 894,380 |
| Licenses and permits | 29,939 |
| Intergovernmental | 251,591 |
| Charges for services | 290,522 |
| Fines and forfeitures | 178,667 |
| Recreational fees | 8,765 |
| Trash collection | 132,171 |
| Interest | 6,697 |
| Other | 16,464 |
| Total revenues | <u>1,809,196</u> |

EXPENDITURES

| | |
|---------------------------|------------------|
| General Government | 637,700 |
| Public Works | 357,529 |
| Public Safety | 993,404 |
| Culture and Recreation | 37,412 |
| Total expenditures | <u>2,026,045</u> |

OTHER FINANCING SOURCES (USES)

| | |
|---|----------------|
| Transfer from other funds | 220,000 |
| Investment in Fixed Assets | - |
| Net other financing sources (uses) | <u>220,000</u> |

| | |
|-------------------------------------|--------------|
| Net changes in fund balances | 3,151 |
|-------------------------------------|--------------|

| | |
|--------------------------|---------------------|
| Fund balances, beginning | 3,269,626 |
| Fund balances, ending | <u>\$ 3,272,777</u> |

See accompanying notes to financial statements.

City of Westwood Kansas
Notes to the
Basic
Financial Statements

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Westwood, Kansas (the City) is a third-class city with a mayor-council form of government. The City was incorporated in 1949 and covers an area of approximately one square mile in Johnson County, Kansas. The City has approximately 1,800 residents. The City's organization consists of the general governmental departments of Administration and Finance, Public Works and Police.

The accounting and reporting policies of the City of Westwood, Kansas conform to accounting principles generally accepted in the United States of America. The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

In determining the agencies or entities, which comprise the City for financial reporting purposes, the criteria of oversight responsibility over such agencies or entities, special financing relationships and scope of public service provided by the agencies or entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations and accountability for fiscal matters. The general-purpose financial statements of the City include the Westwood Foundation, which oversees the leasing of the City's recreation facility, Woodside Racquet Club. Based on these criteria, there are not any other agencies or entities, which should be included in the general-purpose financial statements of the City. Separate financial statements of the Foundation may be obtained from the City Clerk.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. The following represent the more significant accounting and reporting policies and practices of the City.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

B. Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the City, the primary government, as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

The City's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The City has no non-major funds.

WESTWOOD, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

The major governmental fund of the City is described below:

General Fund – is the main operating fund of the City which accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.

The Component Unit - accounts for resources received and held by the Westwood Foundation (the Foundation), a nonprofit corporation wholly-owned by the City. The Foundation manages the City's recreational facility, commonly known as Woodside Racquet Club, which is leased to and operated by an independent third party.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes grants, sales tax, and donations, are recognized in the fiscal year in which all eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available.

WESTWOOD, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes investment earnings and state-levied locally shared taxes.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes receivable are recorded and deferred until they become available

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt, which have not matured are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Basis Accounting and Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget.

- 1) Preparation of the budget for the succeeding calendar year on or before August 1st.
- 2) Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
- 3) Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- 4) Adoption of the final budget on or before August 25th.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at any time. There were no budget amendments in 2010.

The statutes establish the overall budget level of control at the fund level by prohibiting expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may not amend a fund's budgeted expenditures without Council approval. Spending in funds that are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City. Currently, there are no such funds.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City of future payments such as purchase orders or contracts.

Property Taxes Receivable

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred revenues on the balance sheets of the appropriate funds. Estimated delinquencies are insignificant and have not been accrued.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Deposits and Investments

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

The City pools temporarily idle cash from all funds for investments purposes. Each fund's portion of the pool is shown on the financial statements as deposits and investments. Deposits during the year include cash in interest bearing and demand bank accounts and certificates of deposit. Interest is allocated to each fund based on the respective invested balance.

A summary of the carrying values of deposits and petty cash at December 31, 2010 is as follows:

| | <u>City</u> | <u>Component Units</u> |
|----------------|-------------|----------------------------|
| Total deposits | \$ 433,325 | \$ 31,535 |

Investment Policies

State statutes limit the types of investments the City may utilize. Allowable investments generally include United States Treasury bills or notes with maturities not exceeding two years, repurchase agreements and the Kansas State Municipal Investment Pool. In addition, bond proceeds may be invested in United States government agency securities, money market mutual funds that invest in United States government or agency securities and certain Kansas municipal obligations. Statutes allow the Westwood Foundation to invest funds in the equity markets.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits the City follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in the City's name at other than the depository financial institution.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

At December 31, 2010, the City's deposits were covered by Federal depository insurance or were fully collateralized by securities held by the City's agent in the City's name.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the city follows state statutes which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable.

Prepaid Items

Certain payments that reflect costs applicable to future accounting periods have been recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e. roads, storm sewers, etc), are reported in the applicable governmental activities column in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial individual cost of \$1,500 or more and a useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Assets, which have been acquired with funds received through federal grants, must be used in accordance with the terms of the grant.

Depreciation on exhaustible assets held by the Westwood Foundation is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets and is provided on the straight-line basis over the following estimated useful lives:

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

| | |
|-----------------------------------|-------------|
| Buildings | 20 years |
| Improvements other than buildings | 7-30 years |
| Equipment | 5-20 years |
| Infrastructure | 10-50 years |

A summary of changes in general fixed assets follows:

| | Balance Beginning of Year | Adjustments and Additions | Retirements or Transfers | Balance End of Year |
|----------------------------------|---------------------------------|---------------------------------|--------------------------------|---------------------------|
| Land, Buildings and Improvements | \$ 743,028 | \$ --- | \$ --- | \$ 743,028 |
| Furniture and equipment | <u>2,068,764</u> | <u>54,807</u> | <u>---</u> | <u>2,123,571</u> |
| | <u>\$2,811,792</u> | <u>\$ 54,804</u> | <u>\$ ---</u> | <u>\$2,866,599</u> |

A summary of the Foundation (enterprise fund) fixed assets follows:

| | |
|-------------------------------|-------------------|
| Land | \$ 234,667 |
| Building and improvements | 861,247 |
| Furniture and fixtures | <u>101,107</u> |
| | 1,197,021 |
| Less accumulated depreciation | <u>(959,979)</u> |
| | <u>\$ 237,042</u> |

No depreciation has been provided on general fixed assets of the City itself.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Investments

The investments are carried at cost, which approximates market. During 1994, legislation was passed which allowed the Foundation to invest idle funds in Debt and Equity Securities not previously allowed by law. During the year, the Foundation invested idle funds under the management of an investment firm. At December 31, 2010, the Foundation's Investments consisted of the following:

| | <u>Cost</u> | <u>Market</u> | <u>Unrealized Gain/(Loss)</u> |
|---------------------------|-------------------|-------------------|-----------------------------------|
| Cash and Cash Equivalents | \$ 7,458 | \$ 7,458 | \$ --- |
| Fixed Income Securities | 154,184 | 157,922 | 3,738 |
| Equity Securities | <u>177,485</u> | <u>180,233</u> | <u>2,748</u> |
| Totals | <u>\$ 339,127</u> | <u>\$ 345,613</u> | <u>\$ 6,486</u> |

Compensated Absences

City employees earn vacation time in varying amounts based upon their length of service. The City's policies allow up to 40 hours of vacation leave and of sick time leave and all unused compensatory time to be carried over into the next year. Amount has not been accrued as they are not material to the financial statements.

Reserves and Designations of Fund Balances

Reserves are reported in the various funds in the fund financial statements to indicate that a portion of the fund balance is restricted by law or contract for a specific purpose. The amount of unreserved fund balance designated for subsequent year's expenditures represents the amount of fund balance available for appropriation that has been designated for the adopted 2010 budget.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Special Assessments

Special assessments consist of charges to the City's residents for trash and recycling services and are due and payable with annual ad valorem property taxes.

Reimbursed Expenses

There are no reimbursed expenses recorded in the financial statements that are exempt from the budget law.

NOTE 3- LONG-TERM DEBT

The City also has entered into a lease purchase agreement for a street sweeper. The total outstanding debt at December 31, 2009 was \$55,730. The interest rate is 4.25%

| | <u>Interest</u> | <u>Principal</u> | <u>Total</u> |
|-----------|-----------------|------------------|--------------|
| 1/20/2011 | \$ 1,209 | \$ 28,445 | \$ 29,654 |
| | \$ 1,209 | \$ 28,445 | \$ 29,654 |

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 4 – PENSION PLANS

Defined Benefit Plans

Plan Description – The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer define benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a single available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy – K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2008 is 5.93%. The KP&F uniform participating employer rate established for fiscal year 2008 is 13.88%. Employers participating in KP&R and KPERS make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's contributions to KP&F and KPERS for the years ended December 31, 2010, 2009 and 2008 were \$63,344, \$76,798 and \$87,405, respectively, equal to the statutory required contributions for each year.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2010 are as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------|---------------------|----------------------|
| General fund | \$ 220,000 | \$ -0- |
| Component units | | 220,000 |
| | <u>\$ 220,000</u> | <u>\$ 220,000</u> |

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Transfers are used to move revenues from the component unit that a statute or the budget requires to collect them to the component unit that a statute or the budget requires to expend them.

NOTE 6 – COMMITMENT AND CONTINGENCIES

Litigation – At various times legal actions and claims against the City arise. The ultimate liability if any that might result from their resolution is not presently determinable; however, in the opinion of management and counsel, the probability of material aggregate liabilities resulting from these claims is remote.

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, loss and damage to property, errors and omissions and injuries to employees. The City currently purchases commercial insurance coverage for these risks. There have been no significant changes in coverages from the previous years. Settled claims if any have not exceeded the commercial insurance coverage in any of the past three years.

NOTE 8 – FUTURE PRONOUNCEMENTS

In July 2004, GASB issues Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions*. This statement establishes accounting and financial reporting standards for employers that participate in a defined benefit “other post employment benefit” (OPEB) plan. The city does not anticipate that the impact of adopting Statement No. 45 will materially affect the comparability of the City’s financial statements. The City will implement this statement in accordance with the transition provisions of the Statement on January 1, 2009.

WESTWOOD, KANSAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 9 - LEASE AGREEMENTS – Westwood Foundation – Component Unit

Recreational Facility

In addition, the City entered into a twenty-year lease agreement with the Foundation in May 1981 for use of a recreational facility. The lease, prior to the retirement of the industrial revenue bonds, called for rental payments in an amount equal to the debt service on the industrial revenue bonds issued to finance the facility. The Foundation executed an option to extend the lease for three consecutive ten-year periods at \$1,000 per year. This lease has been accounted for as a capital lease with the City maintaining legal title to the land and facilities. Under the terms of a capital lease the asset is recorded on the lessee's financial statements as an asset and a corresponding liability is recorded for the lease expense. Upon expiration of the lease the assets will be transferred back to the lessor's financial statements.

The foundation has subleased the recreation facility to a third party. The minimum future rental income on this non-cancelable lease at December 31, 2010 amounted to approximately \$1,200,000. Future rentals due in the succeeding year are \$240,000.

**Required
Supplementary
Information**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES,
ENCUMBRANCES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

CITY OF WESTWOOD, KANSAS

year ended December 31, 2010

| | General Fund | | | Totals Memorandum Only | | |
|---|--------------|------------|--|---------------------------|------------|--|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| REVENUES AND OTHER FINANCING SOURCES | | | | | | |
| Revenues | | | | | | |
| Taxes | \$ 926,714 | \$ 894,380 | \$ 32,334 | \$ 926,714 | \$ 894,380 | \$ 32,334 |
| Licenses and permits | 23,500 | 29,939 | (6,439) | 23,500 | 29,939 | (6,439) |
| Intergovernmental | 282,716 | 251,591 | 31,125 | 282,716 | 251,591 | 31,125 |
| Charges for services | 290,970 | 290,522 | 448 | 290,970 | 290,522 | 448 |
| Fines and forfeitures | 155,000 | 178,667 | (23,667) | 155,000 | 178,667 | (23,667) |
| Recreational fees | 7,800 | 8,765 | (965) | 7,800 | 8,765 | (965) |
| Trash collections | 136,802 | 132,171 | 4,631 | 136,802 | 132,171 | 4,631 |
| Interest | 7,000 | 6,697 | 303 | 7,000 | 6,697 | 303 |
| Other | 12,350 | 16,464 | (4,114) | 12,350 | 16,464 | (4,114) |
| Total Revenues | 1,842,852 | 1,809,196 | 33,656 | 1,842,852 | 1,809,196 | 33,656 |
| OTHER FINANCING SOURCES | | | | | | |
| Operating transfers received | 220,000 | 220,000 | - | 220,000 | 220,000 | - |
| Total revenues and other financing sources | 2,062,852 | 2,029,196 | 33,656 | 2,062,852 | 2,029,196 | 33,656 |
| EXPENDITURES AND OTHER USES | | | | | | |
| Expenditures | | | | | | |
| General government | 677,052 | 650,073 | 26,979 | 677,052 | 650,073 | 26,979 |
| Public works and improvements | 427,110 | 413,903 | 13,207 | 427,110 | 413,903 | 13,207 |
| Public safety | 946,594 | 946,385 | 209 | 946,594 | 946,385 | 209 |
| Culture and recreation | 42,095 | 27,770 | 14,325 | 42,095 | 27,770 | 14,325 |
| Total expenditures | 2,092,851 | 2,038,131 | 54,720 | 2,092,851 | 2,038,131 | 54,720 |
| OTHER USES | | | | | | |
| Operating transfers | - | - | - | - | - | - |
| Total expenditures and other uses | 2,092,851 | 2,038,131 | 54,720 | 2,092,851 | 2,038,131 | 54,720 |
| Excess of total sources over (under) total uses | \$ (29,999) | \$ (8,935) | \$ (21,064) | \$ (29,999) | \$ (8,935) | \$ (21,064) |
| Change in encumbrances and lease obligations | | 12,086 | | | 12,086 | |
| Revenue and transfer accruals | | - | | | - | |
| Fund Balance beginning of year | | 3,269,626 | | | 3,269,626 | |
| Fund Balance end of year | | 3,272,777 | | | 3,272,777 | |

See accompanying notes to financial statements.

WESTWOOD, KANSAS
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

City of Westwood, Kansas
Notes to Required Supplementary Information
December 31, 2010

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements. This information includes the Budgetary Comparison Schedule – General Fund.

Budgetary Data

The City utilized encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. All unencumbered appropriations lapse at year-end.